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Message Text

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ACDA-19 IO-13 INT-08 DRC-01 /238 W
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R 120700Z SEP 73
FM AMEMBASSY TANANARIVE
TO SECSTATE WASHDC 5529
INFO AMEMBASSY PARIS
CINCLANT NORFOLK VA
CINCUSNAVEUR LONDON ENG
COMIDEASTFOR

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CINCLANT AND CINCUSNAVEUR FOR POLADS

E. O. 11652: DECON 9/10/75
TAGS: ECON, EAGR, EFIN, EIND, ETRD, MA
SUBJ: ECONOMIC AND FINANCE MINISTER HOLDS PRESS CONFERENCE

REF: TANANARIVE 1239

1. SUMMARY: DURING PRESS CONFERENCE, ECON & FINANCE MINISTER ANNOUNCED GOMR AT SOME UNDEFINED TIME WILL TAKE OVER CONTROL OF WATER AND ELECTRICITY SERVICES, ASSUME MANAGEMENT OF IMPORT-ANT COMMERCIAL BANK AND GRADUALLY TAKE OVER ROLE OF OR MAJORITY SHARES IN PRIVATE FIRMS IN FOREIGN TRADE FIELD. HE ALSO INDIC-ATED STATE HAD ALREADY TAKEN OVER SOME IMPROPERLY USED AGRICUL-TURAL LANDS, SUGGESTED GOMR CONSIDERING POSSIBLE INCREASE IN
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RETAIL PRICE OF RICE, AND SAID (WITH APPARENT REFERENCE TO CUR-

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RENT RICE PURCHASES) CHINA SUPPLYING RICE ON UP TO 5-YEAR CREDIT TERMS. HE MAINTAINED MOST SECTORS OF ECONOMY DOING BETTER THIS YEAR THAN IN 1972 BUT ADMITTED COUNTRY STILL FACED MANY PROBLEMS. END SUMMARY.

2. DURING SEPT 8 PRESS CONFERENCE, MIN ECON & FINANCE RAMAROSON DELIVERED STATEMENT AND CAREFULLY PREPARED ANSWERS TO JOURNALISTS' QUESTIONS WHICH PROVIDED FURTHER DETAILS ON GOMR ECONOMIC POLICIES OUTLINED BY GEN RAMANANTSOA AUG 31(REFTEL). HIGHLIGHTS OF RAMAROSON'S REMARKS FOLLOW: (EMBASSY'S EXPLANATORY COMMENTS IN PARENTHESES).

3. STATE INTERVENTION -- REFERRING TO RAMANANTSOA STATEMENT THAT THE STATE WOULD RESERVE SEVERAL "VITAL SECTORS" OF ECONOMY FOR ITS OWN INTERVENTION, RAMAROSON STATED THAT CERTAIN ACTIONS HAVE BEEN OR WOULD BE TAKEN IN FOLLOWING SECTORS:

BANKING -- IN ADDITION TO CREATION OF CENTRAL BANK (WHICH STARTED OPERATION JUL 2), THERE WILL BE MERGER OF TWO STATE ORGANIZATIONS, BANQUE NATIONALE DE DEVELOPEMENT MALAGACHE AND SOCIETE NATIONALE D'INVESTISSEMENT INTO NEW BODY WHICH WILL OPERATE SIMULTANEOUSLY AS COMMERCIAL, DEVELOPMENT, AND SAVINGS BANK. STATE ALSO WILL TAKE OVER MANAGEMENT OF ONE PRIVATE BANK, BANQUE MALAGACHE D'ESCOMPET ET DE CREDIT -- BAMES (WE UNDERSTAND BY INCREASING ITS PARTICIPATION FROM PRESENT 35 PRECENT TO 51 PERCENT). IN ADDITION, RAMAROSON SUGGESTED GOVT MAY BE CONTEMPLATING SOME PARTICIPATION IN ANOTHER PRIVATE BANK, BANQUE DE MADAGASCAR ET DES COMORES.

MINING -- STATE HAS ALREADY INITIATED DISCUSSIONS WITH ENTERPRISES OPERATING UNDER EXISTING MINING CONVENTIONS WITH VIEW TO INCREASING PROFITS RETAINED IN MADAGASCAR AND OBLIGING THOSE ENTERPRISES TO INCREASE VALUE OF MINERALS WITHIN THE COUNTRY (BY ESTABLISHING PROCESSING INDUSTIRES).

ENERGY -- NEGOTIATIONS ARE UNDER WAY TOWARDS EVENTUAL STATE TAKEOVER OF WATER AND ELECTRIC SERVICES NOW PROVIDED BY ELECTRICITE ET EAUX DE MADAGASCAR - EEM (FRENCH-OWNED FIRM HANDLING BULK OF SUCH SERVICES), A MOVE WHICH WILL REQUIRE REORGANIZATION OF SOCIETE D'ENERGIE DE MADAGASCAR (SMALLER ORGANIZATION IN WHICH STATE NOW MAJORITY SHAREHOLDER).

TRANSPORT -- STATE PARTICIPATION WILL BE INCREASED BY (A) RECENT CREATION OF NEW ORGANIZATION FOR COASTAL SHIPPING, LIMITED OFFICIAL USE

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SOMAPAMAR (STATE AND PRIVATE MALAGASY-OWNED) AND (B) REORGANIZATION OF EXISTING FIRM HANDLING LONG DISTANCE CARGO SHIPS, SOCIETE MALGACHE DE TRANSPORT MARITIME (NOW FRENCH-CONTROLLED WITH MINORITY GOMR PARTICIPATION).

TRADE -- FOR INTERNAL TRADE, STATE WILL FORM NEW ORGANIZATION, SINACOI REGROUPING ALL STATE-OWNED OR STATE-CONTROLLED ORGANIZATIONS ALREADY INVOLVED IN COLLECTION OR DISTRIBUTION ACTIVITIES. RECENTLY FROMED SONACO IN FOREIGN TRADE FIELD WILL

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GRADUALLY TAKE OVER ROLE OF, OR MAJORITY SHARES IN PRIVATE
FIRMS.

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SPC-03 SS-15 USIA-15 ACDA-19 IO-13 AID-20 COME-00

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CINCLANT AND CINCUSNAVEUR FOR POLADS

4. LAND REFORM -- WITH RESPECT TO SEIZURE OF UNUSED OR POORLY USED AGRICULTURAL LAND BY STATE PREVIOUSLY ANNOUNCED BY RAMANANTSOA, RAMAROSON INDICATED THAT UNDER EXISTING LAWS GOMR HAD ALREADY TAKEN OVER ABOUT 60 PROPERTIES TOTALLING 25,000 HECTARES AND THAT THESE LAWS WOULD BE STRENGTHENED IN NEAR FUTURE.

5. RICE -- RAMAROSON NOTED THAT ONLY ABOUT 15 PERCENT OF RICE PADDY PRODUCED THIS YEAR WOULD BE PUT ON MARKET BY FARMERS (250,000 TONS OUT OF ESTIMATED 1,800,000 TONS). RECALLING RECENT INCREASE OF PRICE PAID TO FARMER FOR PADDY, RAMAROSON CAME CLOSE TO SUGGESTING THAT THIS MOVE MIGHT REQUIRE INCREASE IN RETAIL PRICE OF RICE WHEN HE SAID THAT STATE, THROUGH CONTROL OF WHOLESALE TRADE, WOULD DO WHAT IT CAN TO KEEP DOWN INTERMEDIARY COSTS

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IN ORDER TO OBTAIN "REASONABLE CONSUMER PRICES". HE SAID, CHINA
SUPPLYING RICE ON 5 YEAR CREDIT TERMS, WITH 3 YEAR GRACE PERIOD.
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THOUGH NOT COMPLETELY CLEAR, THIS APPEARS BE REFERENCE TO CURR-
ENT PURCHASES, BUT NO QUANTITY SPECIFIED.

6. GENERAL ECONOMIC SITUATION -- WHILE ADMITTING COUNTRY STILL
FACES MANY DIFFICULT PROBLEMS, RAMAROSON CLAIMED THAT SINCE 1972,
WHEN THERE WAS DROP IN GDP, THERE HAS BEEN IMPROVEMENT IN ALMOST
ALL SECTORS OF ECONOMY. HE STATED TREASURY FAR FROM BEING RUINED
(FREQUENT RUMOR AMONG FOREIGN BUSINESS COMMUNITY) AND THAT
FOREIGN EXCHANGE RESERVES TOTALLED 16 BILLION FMG ($US 75.5 MILLION).
I.E. COVER 4 TO 5 MONTHS IMPORT REQUIREMENTS.

7. COMMENT: LIKE RAMANANTSOA'S AUG 31 STATEMENT, RAMAROSON'S
REMARKS REFLECT IMAGE OF REGIME WHICH IS AT SAME TIME CONFIDENT
AND CAREFUL AND WHICH CONTINUE TO MOVE FORWARD METHODICALLY,
BUT WITHOUT HASTE, TOWARDS ITS AVOWED GOAL OF RESTRUCTURING AND
"MALAGASIZING" ECONOMY. SINCE ELECTRIC POWER HAS BEEN MOST LIKELY
CANDIDATE FOR NATIONALIZATION EVER SINCE MAY 1972, ANNOUNCEMENT
THAT SERVICES OF EEM WOULD BE TAKEN OVER BY STATE HARDLY SURP-
RISING. RAMAROSON'S REMARKS SUGGESTS THIS WILL TAKE PLACE ONLY
OVER EXTENDED PERIOD OF TIME. SOMEWHAT MORE SURPRISING IS INDIC-
ATION THAT STATE WOULD TAKE OVER OPERATIONS OF BAMES BANK THOUGH
IT IS LIKELY MANY OF FRENCH EXECUTIVE STAFF WILL STAY ON FOR
CONSIDERABLE TIME AFTER GOMR ASSUMES CONTROL. INDICATION OF
INCREASING STATE ROLE IN FOREIGN TRADE IS HARDLY PROMISING BUT
REFERENCES TO GRADUALISM AND NEED FOR PROFITABILITY AND EFFIC-
IENCY IN STATE-RUN FIRMS SHOULD AT LEAST LIMIT PACE TOWARD EXPA-
NSION OF GOVT PARTICIPATION IN BUSINESS. RAMAROSON'S REMARKS
SUGGESTS GOMR IS SERIOUSLY CONSIDERING INCREASE IN CONSUMER
PRICE OF RICE, MOVE WE FEEL GOMR WILL HAVE TO TAKE FOLLOWING
RISE IN PADDY PRICE. RE GENERAL SITUATION, WE FEEL GOMR STILL
HAS LONG WAY TO GO IN OVERCOMING DOWNWARD TREND IN GENERAL ECONOMIC
ACTIVITY WHICH BEGAN IN 1972, AND IN PARTICULAR, IN REVERSING
TREND OF RISING URBAN UNEMPLOYMENT.
MENDENHALL

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